Investment for jobs and growth: promoting economic, social and territorial cohesion in the Union

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The European Parliament adopted by 552 votes to 76 with 68 abstentions a resolution responding to the Commission's sixth report on economic, social and territorial cohesion entitled 'Investment for jobs and growth: promoting development and good governance in EU regions and cities' of 23 July 2014

Parliament recalled the determining role of EU cohesion policy in reducing regional disparities, and promoting economic, social and territorial cohesion among the regions of Member States. They also recalled that the policy was an established tool for growth and jobs, with a budget of over EUR 350 billion until 2020

In this context, Members analysed the achievements and challenges of cohesion policy during the previous programming period (2007-2013), underlining that cohesion policy funding was equivalent to 21 % of public investment in the EU as a whole and to 57 % in the cohesion countries taken together.

They highlighted that cohesion policy had proven its capacity to react quickly with flexible measures to tackle the investment gap for Member States and regions, such as redirecting 13 % of total funding (EUR 45 billion) to support economic activity and employment with direct effects. Parliament considered it essential, therefore, to carry out **a substantial in-depth medium-term review of objectives and funding levels** in line with any developments affecting the social and economic situation of the Member States or any of their regions.

Whilst welcoming the recent reforms to cohesion policy, Parliament stressed that the policy must be aligned closely with sectoral policies and synergies achieved with other EU investment schemes. Furthermore, it pointed out that although cohesion policy had softened the impact of the crisis, **regional disparities remained high and that the cohesion policy objective to reduce economic, social and territorial disparities, providing special support to less developed regions, had not yet been reached everywhere**.

Parliament called on all actors to ensure the effectiveness and efficiency of the implementation of the new legislative framework for cohesion policy and to establish properly functioning, multilevel **governance and coordination mechanisms** to ensure consistency between programmes, support to the Europe 2020 strategy and the Country Specific Recommendations.

Implementation and payment problems: expressing serious concern about the significant structural delays in the start-up of the cohesion policy programming periods, Members noted that this delay might increase the pressure on payments, especially in 2017 and 2018. They remarked on the **regrettable backlog in payments, amounting to EUR 25 billion for the 2007-2013 programming period.** They recalled that the issue of the persistent payments backlog concerned cohesion policy more than any other EU policy area, with **EUR 24.8 billion of unpaid bills at the end of 2014** for the European Social Fund (ESF), the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) 2007-2013 programmes, i.e. a 5.6 % increase compared with 2013. The committee encouraged the Commission to use all available means to cover these outstanding bills. The Commission was reminded of its commitment to put forward a payment plan as soon as possible, and in any event before the presentation of the 2016 draft budget.

As a general point, Members underlined that the aforementioned backlog under Heading 1b of the EU budget was in fact the most important immediate factor endangering the implementation of cohesion policy, both in the previous and, prospectively, in the current 2014-2020 programming period. They stressed that it was imperative to **start the implementation of the Operational Programmes as soon as they were adopted,** in order to maximise the results. The Commission should do its utmost to speed up the implementation of the Operational Programmes, especially **in order to avoid decommitments of funds in 2017.**

Cohesion policy at the core of smart, sustainable and inclusive investments 2014-2020: Parliament welcomed the new European Fund for Strategic Investment (EFSI) and its potential leverage effect. However, there must be enhanced coordination and consistency among all EU investment and development policies, particularly cohesion policy. Nevertheless, they warned that the EFSI should not undermine the strategic coherence and long-term perspective of cohesion policy programming. The flexibility allowed in selecting projects for EFSI funding posed a risk that investments were channelled to more developed Member States, undermining the economic, social and territorial cohesion. Parliament highlights the need to ensure the additionality of EFSI's resources – and, hence, the complementarity and synergy between it and ESIF. It also underlined that cohesion policy legislation provides for the extended use of financial instruments – in order to double their contribution to about **EUR 25-30 billion in 2014-2020** – by extending their thematic scope and offering more flexibility to Member States and regions. It highlighted the role of financial instruments in mobilising additional public or private co-investments in order to address market failures.

Effectiveness, efficiency and performance orientation of cohesion policy 2014-2020: Parliament highlighted the importance of all measures aimed at increasing the effectiveness, simplification, efficiency, and result and performance orientation of cohesion policy. It called on the Member States and the Commission to ensure **coherence** between National Reform Programmes and Operational Programmes with the aim of addressing the Country Specific Recommendations adequately and of providing alignment with the economic governance procedures, thus limiting the **risk of early reprogramming**. It recalled, in this context, **Parliament's initial opposition**, and demanded that the Commission and the Council provide full, transparent and timely information on the criteria for, and on the entire procedure that could trigger reprogramming or a suspension of commitments or payments of, the ESIF. Members considered that the decision on the suspension of commitments or payments should be taken as a last resort.

They pointed out that irregularities in the implementation of cohesion programmes stemmed to a considerable degree from complex requirements and regulations. These could be reduced through the simplification of management and procedures, and early transposition of the newly adopted relevant directives.

Employment, SMEs, youth and education: Members emphasised the key role of SMEs in job creation and points to their potential for promoting smart growth and the digital and low-carbon economies. They called for a favourable regulatory environment for running of such enterprises, underlining that SMEs made up 99 % of the EU's corporate fabric and accounted for 80 % of jobs in the Union. Parliament expressed its concern over the too low ceiling (EUR 5 million) set by the Commission on ERDF support to small-scale cultural and sustainable tourism infrastructures. It also recalled the alarming rates of youth unemployment and insisted that advancing the integration of young people into the job market must **remain a top priority**, which required the integrated use of the ESF, the ERDF, the Cohesion Fund and the Youth Employment Initiative (YEI).

Governance of the policy and the territorial dimension: Members emphasised that cohesion policy should be conducted within the spirit of properly functioning multi-level governance associating regional and national governments. They recommended that cohesion policy resources and knowledge be used

to bolster the **administrative capacity of public authorities** in a significant way, especially at local and regional levels, so that their ability to offer quality services to the public is improved. They called on the Commission not to approve programmes in which the involvement of partners has not been sufficient, as detailed in the Code of Conduct.

Parliament went on to stress the need for the inclusion of **all the cross-border and macro-regional aspects** in an integrated and **territorial approach to cohesion policy**. This approach was essential, in particular when it came to environmental and energy matters. A territorial approach should also be taken into account regarding **urban issues**, given the importance of cities in the globalised economy and their potential impact in terms of sustainability. Parliament also called for closer coordination between cohesion policy, the Instrument for Pre-accession and the EU Neighbourhood Policy

Cohesion policy in the long-term perspective: Parliament recalled, in view of all of its main recommendations, the **necessity for a new dynamic to be given to the EU cohesion policy debate.** It stated that the 2019 European Parliament election year would be decisive, as the then newly-elected Parliament, and new Commission, would have to deal with the termination of the Europe 2020 strategy and an upcoming new MFF.

It stressed the crucial importance of administrative capacities and called on policy makers at all governance levels to favour targeted technical assistance for the implementation of cohesion policies in general, and in particular for the extended use of financial instruments in combination with the ESIF.

Lastly, Parliament called on the Commission to consider **pre-financing in order to facilitate the full use of funds by the Member States concerned in the 2014-2020 period**, while always ensuring that the principle of budgetary accountability was upheld. Member States were asked to conduct regular, high-level political debate within national parliaments on the effectiveness, efficiency and timely implementation of the ESIF and on the contribution of cohesion policy to the fulfilment of macroeconomic objectives.